

Helping Hardest-Hit Homeowners Frequently Asked Questions for Counselors and Servicers

GENERAL PROGRAM QUESTIONS

What are the different options available to homeowners under this proposal?

Michigan's plan to distribute \$154.5 million in federal Hardest-Hit Funds includes three options:

1. Mortgage payment assistance of up to \$9,000 per household for homeowners currently receiving unemployment compensation,
2. Rescue funds up to \$5,000 per household for homeowners who have fallen behind in their mortgage payments due to an involuntary inability to pay, such as a temporary layoff or medical emergency, and have since overcome this obstacle, and
3. Federal matching funds up to \$10,000 per household for principal reductions for homeowners with severe negative equity and who can no longer afford their mortgage payments as a result of reduced income.

When does MSHDA anticipate the state's \$154.5 million federal Hardest-Hit Fund will be depleted?

MSHDA anticipates funds will be available for the next 12-18 months. MSHDA will continue to work with mortgage loan servicers and homeowners until the \$154.5 million in federal funds are completely allocated.

How many Michigan homeowners could be helped under this plan?

The total number of households in Michigan who could receive benefits by participating in one of the three programs exceeds 17,000; including 11,000 households who are currently drawing unemployment benefits and are struggling to make monthly mortgage payments.

The borrower is working with a homeownership counselor. Can the counselor continue to help them?

Yes. These programs do not exclude the important role that counselors play in the education, budgeting, and foreclosure prevention process.

Can homeowners qualify for more than one program?

No. Homeowners will only be eligible for assistance through one program. Mortgage loan servicers should work with homeowners to determine which program best suits their needs based on a review of the customers' financial situation.

If a homeowner owes back taxes because of a crisis, but they don't have a mortgage, can they apply for Helping Hardest Hit Homeowners assistance?

No, however they should contact their local taxing authority to see if payment arrangements can be made or contact the Department of Human Services for State Emergency Relief funds.

How will servicers know if the borrower has applied with more than one lender, i.e. first and second lien holders?

MSHDA's reservation system would recognize the borrower's name and disallow the second application.

Can servicers notify or solicit their borrowers who are delinquent to tell them about the new programs?

Yes, most definitely.

QUALIFYING/UNDERWRITING QUESTIONS

Is there a household income limit?

There are no specific household income limits, however the amount and type of assistance is limited to hardest-hit individuals meeting the eligibility requirements.

Do servicers need documentation of taxes and insurance?

Yes, documentation is required to make sure that housing payments are sustainable.

If taxes and insurance aren't currently escrowed can servicers establish an escrow account?

Yes, servicers may establish an escrow account as part of the loan modification process.

Is a tri-merge credit report required?

No, only a one bureau credit report dated within 30 days is needed.

Will a bankruptcy automatically disqualify a borrower?

Not necessarily.

Does the 3 months PITI of cash reserves include retirement funds?

No, it only includes liquid assets. Retirement funds are not included.

How old can an appraisal or BPO be for these programs?

6 months.

Can servicers use their 'automated valuation' software to obtain a fair market value instead of paying for an appraisal or BPO?

Yes.

Are qualifying ratios based on overall debt to income or just housing expense?

Ratios are based on the first mortgage housing expense of principal, interest, taxes and insurance (PITI). If the funds are used toward a second lien, then qualifying ratios must include the first and second mortgage payments plus taxes and insurance.

If there is only one person on the mortgage note, can the servicer use other household occupant income to meet the ratios?

Servicers should use the same documented income analysis that they would use for any loan modification request.

Is there a minimum seasoning time for the mortgage?

No.

If the property is a mobile home loan that has an 'affidavit of fixture' will servicers need to relinquish that?

Yes. Manufactured homes must be permanently attached, titled and taxed as real estate in order to be an eligible property.

What if the borrower is living in their second home but they say it is their primary residence?

Servicers are responsible for verifying primary residence. This can be done by obtaining a copy of the property tax record to show that the borrower is paying homestead vs. non-homestead taxes.

For the Unemployment Subsidy Program, do the unemployment benefits have to be long term?

No, but borrowers must provide documentation showing that they are currently receiving Michigan unemployment benefits.

If the borrower's unemployment benefits are exhausted after they have been on the program for only a few months, can they continue to receive the Unemployment Subsidy payment?

Yes, as long as they continue to make their payments on time. The subsidy ceases two months after their return to work date, or they no longer occupy the home, or they sell the house.

What if the borrowers' employment is seasonal work and they collect unemployment benefits every year?

The Helping Hardest Hit Homeowners programs can only be used once, so servicers and homeowners would want to determine which program best suits the borrowers needs.

For the Principal Curtailment Program can the mortgage loan servicers 1:1 match be in the form of a forbearance, as opposed to being forgivable?

No. However the servicer can structure their portion of the curtailment as a lien with some sort of "earned forgiveness".

Will the Helping Hardest Hit Homeowners loan be in first lien position?

No, the Helping Hardest Hit Homeowners loan will be a subordinate lien.

Can the Helping Hardest Hit Homeowners programs be used for portfolio loans?

Yes, the programs can be used for either portfolio loans or secondary market loans.

Can the Helping Hardest Hit Homeowners programs be used for home equity loans?

Yes, servicers can utilize the Principal Curtailment or the Loan Rescue program with evidence that the first mortgage is current and the total housing payments are sustainable. Servicers can utilize the Unemployment Subsidy Program only on equity loans that are in a first lien position. If the borrower qualifies for assistance on a second mortgage, then they cannot apply for assistance on the first mortgage.

Will the borrower be charged income taxes if they qualify and participate in one of the Helping Hardest Hit Homeowners programs?

We have been told that as long as there is a Hardship Letter or Hardship Affidavit in the file homeowners will not have a tax consequence. However, we would strongly encourage borrowers to consult a tax professional.

SERVICING QUESTIONS

For the Unemployment Subsidy Program, when do servicers receive funds for the borrowers' payment?

The funds will be sent prior to the next payment due date.

For the Unemployment Subsidy Program, how is the lien released if the full amount is not utilized?

Because the loans are forgivable at 20% per year, MSHDA will be releasing the lien after five years.

If the investors choose not to contribute to the Principal Curtailment program, can the servicer opt out of the Principal Curtailment program and only offer the Unemployment Mortgage Subsidy or Loan Rescue Programs?

Yes.

If the servicer is not participating in the HAMP program can they still participate with the Helping Hardest Hit Homeowners programs?

Yes; servicers must follow their internal loss mitigation process to see if the borrower is eligible.

If the servicer is not a HAMP participant, how is the HAMP section of the Request for Commitment completed?

Circle "HAMP Ineligible" on the Request for Commitment form.

Are original signatures needed on any documents with the first three complete package submissions?

No, MSHDA does not need original signatures on any documents.

Can servicers email the first three complete package submissions?

No, they must be delivered as hard copies.

Is the email address where we will be submitting our packages a secure email?

Yes.

Can servicers charge their investors for performing work to modify their loans using the Helping Hardest Hit Homeowners Programs?

Yes, but no costs can be charged to the borrower.

How will MSHDA be dispersing funds?

MSHDA will use an ACH deposit into the servicers account.

How will the servicer know which borrower the funds are for once they have been dispersed?

MSHDA will send a notification prior to the funds being transferred with the loan information and exact dollar amount to be applied for each borrower.

Regarding the required trailing documents, what documentation is used as evidence that funds have been applied?

A current mortgage history.

If the servicer has one of their files audited, what is the expected timeline and format?

The servicer must overnight the complete package to MSHDA within five business days.

Will servicers have to pay back any part of the loans?

Only if there has been intentional fraud committed by either the servicer or the borrower.

Does Fannie Mae, Freddie Mac or FHA require their servicers to participate in the Helping Hardest Hit Homeowners programs?

We do not have specific information at this time from Fannie, Freddie, or FHA as to whether they will require the participation of servicers.

Are mortgage insurance companies participating in the new programs?

As part of a servicers normal loss mitigation process, servicers should be checking with the mortgage insurer for approval of the planned modification.

How are the servicers going to be doing their monthly reporting?

MSHDA is creating an online data base that will be ready in the near future. In the meantime, reporting must be done manually utilizing a spread sheet.

Are all of the forms on MSHDA's Web site or MSHDA's Lender on Line Web site?

All of the Helping Hardest Hit Homeowners documents are on MSHDA's Web site under Lender/Lender Tools and Resources/Helping Hardest Hit Homeowners, or by clicking the link at http://www.michigan.gov/mshda/0,1607,7-141-41341_42054---,00.html. No documents for these programs will be available on Lender on Line.

About MSHDA

The Michigan State Housing Development Authority is dedicated to building a thriving and vibrant future for Michigan. MSHDA provides tools and resources to improve people's lives through programs across the state. These programs assist with housing, build strong neighborhoods, and help create places where people want to live and work. MSHDA's programs work in four areas: affordable rental housing; supporting homeownership; ending homelessness; and creating vibrant cities and neighborhoods.*

*MSHDA's loan and operating expenses are financed through the sale of tax-exempt and taxable bonds as well as notes to private investors, not from state tax revenues. Proceeds are loaned at below-market interest rates to developers of rental housing, and help fund mortgages and home improvement loans. MSHDA also administers several federal housing programs. For further information go to www.michigan.gov/mshda.

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